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THE COTTON SITUATION 531945

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The title of World Cotton Prospects, formerly used for this report, has been changed to The Cotton Situation, to correspond with titles of other monthly commodity reports of similar nature to be issued by the Bureau of Agricultural Economics.

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Summary

Cotton prices were relatively steady during October and the first half of November. Prices declined only moderately on November 9 and 10, following the returns of the November 1 report of the Crop Reporting Board. The average price in October was 12.07 cents compared with 12.05 in September and 10.96 cents in October 1935. Important price strengthening factors during recent weeks have been the high degree of activity prevailing in the domestic cotton textile industry, a fairly active foreign demand for American cotton, and the comparatively small prospective world supply of American cotton.

The November 1 estimate of the Crop Reporting Board for the United States production of 12,400,000 bales in 1936-37 plus a world carry-over of about 7,000,000 bales, gives a total prospective supply of American cotton for the season of about 19,400,000 bales. This is slightly smaller than last season's supply, is 5 percent less than average supply in the 10 years ended 1932-33, and is 17 percent below the average for the 5 years 1931-32 to 1935-36. With no reduction in stocks of government-financed cotton, the total supply of free cotton would be approximately 16,400,000 bales. The outlook is for a world supply of all growths of roughly 42,100,000 bales. The supply of American cotton in the present season will amount to 46.1 percent of the total world supply of all kinds compared with 48.7 percent in 1935-36 and the 10-year average of 57.1 percent.

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Exports of cotton from the United States in October amounted to 861,000 bales and were 21 percent above exports in October 1935. Exports in the first 3 months of the current season were 12 percent larger than in the corresponding months of last year. Exports from Brazil in the 12 months ended July 31 were only slightly larger than in the same period a year earlier but were much above the level of any previous season. Shipments from Brazil to Japan last season were 135,500 bales compared with insignificant quantities in earlier years. Total exports from India for the 2 months, August and September were above those for the corresponding period in 1935 but were below the 1923-24 to 1932-33 average.

Conditions continue to indicate the probability that world consumption of all kinds of cotton in 1936-37 will be as large as or larger than in 1935-36. The very high degree of activity which characterizes the domestic cotton textile industry is perhaps the brightest part of the world outlook, although prospects are for maintenance or a moderate increase in mill activity and cotton consumption in the United Kingdom, on the continent of Europe, especially in the former gold bloc countries, and in the Orient. During September imports of American cotton by Japan continued small relative to other growths, especially Indian and Brazilian. However, the volume of exports from the United States to Japan in September and October and the fact that the marketing season is mostly over in southern Brazil indicate that American cotton will occupy, both absolutely and relatively, a much more important position in Japanese imports in the immediate future.

The relationship between yarn prices and raw cotton prices has been very favorable in China, and mill activity was considerably higher in October than in August and September. The existing price relationships and the probability of a continued brisk demand by Chinese mills for Chinese

cotton make it seem improbable that raw cotton prices will decline sufficiently to permit as large a volume of exports as had been anticipated previously.

On the basis of conditions in November, total world production of all kinds of cotton in 1936-37 is estimated at a record high of 29,900,000 bales, of which the American crop of 12,400,000 bales represents 41.5 percent.

The picking of what is expected to be a record high Egyptian crop is progressing rapidly, and ginnings up to November 1 were substantially higher than those for the corresponding date last year. It is reported that a substantially larger quantity of Russian cotton has been harvested so far this season than in the same period last year. Reports indicate that cotton acreage in southern Brazil, in Argentina, and in Uganda will be larger this season than in 1935-36. The cotton area in the Punjab region of India on October 1 was considerably larger than on the same date last year. A large part of the cotton produced in this region is irrigated cotton comparable in grade and staple with the bulk of the American crop.

Domestic Prices Comparatively Steady, Liverpool Prices Favor Consumption of Foreign Cotton

The price of Middling spot cotton at the 10 markets averaged 12.07 cents in October compared with 12.05 cents in September and 10.96 in October 1935. The high for the month was 12.34 cents on October 1 and the low was 11.84 cents on October 26. Prices were 12.09 and 12.00 cents, respectively, on November 9 and 10, following the release of the November Crop Report compared with 12.12 and 12.20 cents, respectively, on November 6 and 7. The average for the week ended November 21 was 12.07 compared with 12.01 cents in the preceding week. Important price strengthening factors during recent weeks have been the continued high level of world mill activity and cotton consumption, especially in the United States, and the comparatively small world supply of American cotton even after allowing for the recent substantial increase in crop prospects.



The price of foreign cottons relative to American are still such as to encourage their consumption at the expense of American. While the price of three types of Indian cotton expressed as a percentage of two types of American tended to be a little stronger in the first 3 months of the present season than in the closing months of last season, the price of Egyptian Uppers declined very sharply in the last 2 months and, at 108.2 percent of the price of American Middling in October, was the lowest relative price for any month since July 1935. Brazilian Sao Paulo Fair at 96.4 percent of American Middling was slightly stronger in October than in September and August, but was still comparatively low in price.

#### World Supplies Increased Despite Reduced Supply of American

The November 1 estimate of the Crop Reporting Board for a crop of 12,400,000 bales in 1936-37 plus a world carry-over of about 7,000,000 bales gives a total prospective supply of American cotton for the season of about 19,400,000 bales. This is about 250,000 bales less than the supply in 1935-36 and about 1,000,000 bales or 5 percent less than the average supply of 20,436,000 bales in the 10 years ended 1932-33. It is 17 percent less than the average of 23,296,000 bales from 1931-32 to 1935-36. Since slightly over 3,000,000 bales are Government financed cotton, the total supply of "free cotton" for this season, with no reduction in stocks of government-financed cotton, would be approximately 16,400,000 bales. On the basis of conditions in November, the outlook is for a world supply of all growths of cotton in 1936-37 of roughly 42,100,000 bales, an increase of 1,800,000 bales over 1935-36 and of 6,300,000 bales over the 10-year average. The expected increase is entirely accounted for by a larger supply of foreign cotton which is 10 percent above 1935-36 and over 47 percent greater than average. The supply of American cotton in the present season will amount to about 46.1 percent of the total world supply of all kinds compared with 48.7 percent last year and the 10-year average of 57.1 percent.

#### Exports Larger than Last Year

Exports of cotton from the United States amounted to 361,000 running bales in October, an increase of 21 percent over exports in October 1935. Exports during the first 3 months of the current season totaled 1,613,000 bales compared with 1,440,000 in the same months of 1935 and an average of 2,149,000 bales in the 10 years ended 1932-33.

Exports to the United Kingdom in the first 3 months of the present season totaled 344,000 bales or 9 percent less than in the corresponding period last year. Exports to France of 288,000 bales were nearly twice as large as those of last year. Shipments to Germany amounted to over 200,000 bales and were 15 percent more than in 1935. Exports to most of the other European countries, with the exception of Italy and Spain, were larger than in the corresponding months last season. Shipments to Japan were 441,000 bales, or nearly 27 percent larger. A substantial increase in September and October over the corresponding months of last year more than offset the very small exports in August.

Exports from Brazil totaled 742,918 bales of 478 pounds net weight, in the season ended July 31, 1936. This was only a small increase over shipments of 736,455 bales in the 1934-35 season, but was more than three times as large as the 272,472 bales exported in 1933-34 and was nearly nine times as large as the average of 86,000 bales in the 10 years ended July 31, 1933. Comparing the destinations of exports in 1935-36 with those of the preceding year decreases occurred in shipments to Great Britain, Germany, France, and Belgium, while larger amounts went to Holland, Italy, and especially Japan. Exports to Japan were 135,500 bales compared with only 11,000 in 1934-35 and 7,738 in 1933-34. Exports from Brazil to all countries in August were 139,881 bales compared with 55,335 and 68,275 bales, respectively, in the first month of the 1935-36 and 1934-35 seasons. Shipments of nearly 47,000 bales to Japan compared with less than 1,000 in August of last season. All of the important European countries, with the exception of Germany, took substantially larger quantities of Brazilian cotton than in the corresponding month of 1935.

Cotton exports from India were 122,100 bales of 478 pounds net weight in September compared with 105,000 in September 1935 and an average for the month of 130,100 in the 10 years ended 1932-33. The cumulative total for August and September amounted to 263,500 bales, an increase of 26 percent over the total for the corresponding months in 1935 but 8 percent less than the 10-year average. As compared with last year, larger quantities were shipped to France, Italy, Belgium, China, and Japan, and smaller amounts to the United Kingdom and Germany.

#### Textile Situation Improved

#### Outlook favorable for world consumption of all cotton

It was pointed out in the last issue of Cotton Prospects that world consumption of all growths of cotton reached a record high in the 1935-36 season and that conditions in the early part of the present season indicated the probability that world consumption would be as large as or larger in 1936-37 than in 1935-36. Conditions in October and November continue to indicate the probability of a very high level of world consumption of all kinds of cotton in the season as a whole. If tendencies which have been in evidence during the last 3 months continue to develop through the rest of the season, world mill activity and cotton consumption in 1936-37 will be featured by a consumption in the United States somewhat larger than last year and approaching a record high; by a level of mill activity and cotton consumption in the United Kingdom as high as or higher than last season and well up toward the pre-depression average; by some slight or moderate improvement on the Continent of Europe, especially in those countries which have recently devalued their currencies; and by as large or perhaps a larger consumption than last year in the Orient as a result of prospects for a continued heavy consumption of cotton in Japan and India and the recent considerable improvement in the Chinese cotton textile industry.

Forwardings of American cotton to world mills so far this season have run well ahead of those in the same period in 1935-36 as the result of heavy takings by domestic mills, according to the New York Cotton Exchange Service. In the season up to November 7, forwardings totaled 3,699,000 bales compared with 3,292,000 bales in the corresponding period in 1935-36. Forwardings to domestic mills were 2,495,000 and 1,957,000 bales respectively, this season and last season. Forwardings to foreign mills were 1,204,000 and 1,335,000 bales, respectively.

World demand for and consumption of American cotton should be strengthened in the present season by the very active condition of the cotton textile industry in the United States and by the large consumption of all kinds of cotton in foreign countries. However, as was pointed out in the last issue of "Cotton Prospects" ..... the world consumption of American cotton insofar as it is affected by consumption in foreign countries will depend to a considerable degree upon the availability and price of American cotton relative to supply and price of foreign cotton ..... The table on the last page shows the very close inter-relationship which has existed during the last 15 years between the ratios of prices, exports, supply, and consumption of American to all kinds of cotton.

Since exports tend to respond more quickly to changes in relative prices than consumption does, the export ratio perhaps can best be compared with the average price ratio in the August to July year. On the other hand, in comparing relative prices with the consumption ratio the former have been calculated on the year beginning April 1 which in effect gives a 4-month lag to the consumption ratio.

Domestic consumption high.- The domestic cotton textile industry continues to run at a very high level. It is reported that mill sales of unfinished goods during October exceeded the large output in that month by about 50 percent, and mills generally have added considerably to their already large backlog of unfilled orders. Mill margins, or the difference between the estimated value of cloth obtainable from a pound of cotton and the price of cotton, are very favorable at present. Margins advanced during October and averaged 14.38 cents for the month against 14.03 in September and 13.31 in October a year ago (based on 17 constructions of gray cloth. The very large volume of unfilled orders and the prospect of a continued improvement in general industrial activity make it seem probable that a high level of mill activity and cotton consumption will be maintained throughout the remainder of the season, even after allowing for the fact that some of the recent buying of cotton goods has resulted from the building-up of stocks to normal proportions. Cotton consumption in October amounted to 646,000 bales and in the first 3 months of the current season to 1,851,000 bales, an increase of 17 and 31 percent, respectively, over consumption in the corresponding months of last year.



European consumption fairly high 1/

Developments in the European cotton textile situation during the first quarter of the 1936-37 cotton season have been generally in line with the indications of a moderately favorable season in the new year, i.e., somewhat above average total consumption of raw cotton. In no important country is there a prospect, at present, of any material change in consumption as compared with the past cotton year.

In the United Kingdom good first quarter business has been done in the home market, but recovery in export trade is still more of a hope than an actuality. The French cotton industry has experienced a fair revival incident to the devaluation of the franc, and, since this move has greatly increased the chances for a policy of economic expansion, the outlook for the cotton industry remains hopeful. The Dutch and Swiss cotton industries have regained considerable competitive strength through devaluation, and some definite revival is expected. The same is true of Czechoslovakia, though exports will doubtless be affected by Italy's reappearance on Balkan markets.

Italy and Germany, on the other hand, have remained much restricted consumers of raw cotton through October. Grounds for improvement are not evident in Germany, and Italy will probably see only a small gain in cotton textile mill activity in coming months, though exports of cotton textile products will be facilitated by the revalued lira. The abolishment of the export bounties (drawbacks) hitherto paid by the Cotton Institute will at least partially offset the price advantage that Italian exporters would otherwise gain.

The effects of the numerous devaluations of currencies have as yet been small, taking the European cotton industry as a whole. The devaluing countries have derived some benefit from improved export sales, but seemingly at the expense of other countries. Thus, the reappearance of Italian competition in southeastern Europe has taken away trade from Austria, Czechoslovakia, Germany and Poland, notably in yarns in Yugoslavia. The same is doubtless true of other countries in other directions. However, there is reason to anticipate that a gradually increased demand for cotton goods will be generated by the restoration of more normal currency and price relationships between the major European countries, both through enhancement of consumer purchasing power and the greater readiness of distributors to acquire stocks as monetary confidence and stability are regained.

The possibilities for central European and Italian cotton yarn and cloth export business in 1936-37 seem definitely improved in one important sector - the Danube Basin - where large crops of both bread and feed grains and fairly good fruit crops have been harvested, coincident with favorable export price developments for all kinds of grain and fruit, and for livestock products. The capacity of the peasant population in that area to buy cotton goods should be considerably increased this year - a fact that would, of course, also have favorable repercussions for the domestic cotton industries in those countries.

1/ Prepared largely from a report from Lloyd V. Steere, Agricultural Attache' at Berlin. Report dated November 9, 1936.

European port stocks of cotton at the end of October were nearly 50 percent higher than in 1935, when, however, stocks had generally fallen to very low levels. Current stocks are by no means burdensome, or even large, in comparison with earlier years.

Stocks of cotton in British and continental ports, end of  
October, 1935-36

Type of cotton	Great Britain		Continent		Europe	
	1935	1936	1935	1936	1935	1936
	:1,000 :bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales
American .....	184	262	217	264	401	526
Indian .....	30	76	33	41	63	117
Egyptian .....	37	39	17	12	54	51
Brazilian .....	15	144	29	39	44	183
Others .....	194	246	61	77	255	323
Total.....	460	767	357	433	817	1,200

The principal increases as compared with a year ago are in stocks of Brazilian, American, Sundries, and Indian staple, in the order named; and the bulk of the increase has occurred at British ports - over 300,000 bales - with a rise of only some 75,000 bales at continental ports, largely at Havre.

Raw cotton buying by western European countries has been active in the past 2 months, in some countries stimulated by devaluation or rumors of devaluation. Central Europe has been more conservative, and Germany and Italy continued to operate under the usual restrictions, though Italy has initiated steps aimed at facilitating imports when linked with exports of goods.

United Kingdom.- Sales prospects for American cotton in the United Kingdom continued favorable at the end of the first quarter of the new season. Imports of American are running about level with last year and mill takings are the best in 3 years, while stocks are relatively low and prices more favorable to the use of American cotton. On the other hand, imports and stocks of Brazilian cotton are exceptionally high, export markets for cotton manufactures and semi-manufactures are still sluggish, and the price of Egyptian Uppers has dropped within the price range of American cotton of comparable staple length.

In general, Lancashire is doing good business in the home market, but the export trade is still unsatisfactory. Prospects for mill activity being sustained at or near present high levels are fairly favorable, though there are also unfavorable factors in the outlook, the latter including wage controversies, rising mill costs and the continued decline of the piece-goods export trade. Continuance of a favorable development of domestic economic conditions, which will derive new stimuli from armament investment activity, will doubtless sustain domestic purchasing power and consumption.

British cotton mill activity and mill employment remain favorable. Mid-September employment in the industry was slightly higher than for any corresponding date since 1931, and the payroll was considerably higher. A high rate of mill occupation is also indicated by mill takings of raw cotton. There were substantial increases of these in October. From August 1 to October 31, they amounted to 669,000 bales compared with 607,000 in the same period last year, 604,000 two years ago, and 650,000 three years ago. The share of American in this year's takings, as compared with last year's, has increased, largely at the expense of Egyptian. Compared with 3 years ago, however, the share of American is still quite low, chiefly because of the sharp increase in the utilization by British mills of Brazilian and Indian cotton.

Domestic demand for cotton goods continues favorable and the home market is a hopeful factor in the demand situation. In the export field satisfaction with the yarn position is more than offset by the unsatisfactory trend of piece-goods exports. Roughly converted into pounds, January - September export figures for piece-goods were 232,900,000 this year, compared to 296,300,000 last year. Yarn exports, on the other hand, were 113,200,000 pounds in January - September 1936, as against 104,800,000 pounds in January - September 1935. Business in piece-goods with most British Dominions and possessions and with some South American countries is fairly good, but Indian takings continue disappointing. It is hoped, however, that, with Lancashire's large takings of Indian cotton in the last 2 years an improved preferential arrangement for British textiles may be concluded in connection with the new Indian trade agreement soon to be negotiated.

Concern has recently been shown over labor developments, rising fuel costs and the small but perceptible burden of the special levy under the Spindles Act. These increases in manufacturers' cost items, though they probably will have no serious consequences in the home market, are not encouraging from the point of view of textile exports, in which competition is at best met only with great difficulty. The future value of the Japanese yen is also causing some anxiety.

Germany.- The German cotton textile position in the first quarter of 1936-37 has been characterized by increased difficulties in the procurement of raw material, low imports of cotton and increased utilization of fibre substitutes. Operations of the cotton mills are reported to have proceeded on substantially unchanged levels. Employment in the industry continued high, and sales remained of favorable volume in both spinning and weaving mills.



August-September net imports of all cotton spinning material were 45,110 metric tons or equivalent to 208,000 bales of cotton of 478 pounds compared to 59,542 metric tons or 275,000 bales in August-September last year. Imports of raw cotton alone amounted to 30,654 tons or 141,000 bales as against 47,070 or 217,093 bales last year. Of the August-September 1936 total for cotton, the United States supplied 9,000 bales of 478 pounds (last year 4,500 bales), India 19,700 bales (23,600 bales), Egypt 19,200 bales (25,000 bales), Brazil 39,346 bales (77,800 bales), and Peru 25,860 bales (37,900 bales). It is credibly reported that total stocks of raw cotton in the country are very low, despite some recent slight increase in Bremen holdings.

The tension in the raw material situation is further emphasized by recent ordinances aiming (1) at a reduction of requirements for natural fibers, and (2) at assisting in the sale of mixed substitute goods. The increased admixture of 16 percent of staple fiber to ordinary counts of cotton yarn, reported in our Cotton Report of August 10, took effect on November 1. A decree of the currency authorities of October 26 has subjected cotton yarns of all kinds to special import buying permits, also effective November 1, and a decree of the Supervisory Office for Cotton, of October 27, has placed reclaimed cotton under production control quotas. Previously such production quotas were applied to the utilization of raw cotton and cotton waste. The purchase and allocation of staple fiber to individual manufacturers has also been placed under supervision, since the present rate of cell-wool production is not yet adequate to cover the growing requirements. Finally, a decree of October 28 made very high admixture of rayon and staple fiber compulsory for textiles to be delivered to public organizations and institutions.

In the same way, a recent agreement between the textile industry and the retail trade, as well as tailors' organizations, provided that designation of textile materials as "pure", "guaranteed" cotton (or wool), "mixed cotton", or as of "foreign origin" is prohibited. "Cotton goods", hereafter, may vary from pure cotton to 20-25 percent artificial fiber or other substitute. The effect of these decrees, coming on top of those already issued, is to accelerate the replacement of natural fibers by artificial fibers and other substitutes. Nevertheless, it is known that manufacturers are doing their utmost to maintain the quality of their products, particularly those where quality is of major importance, in order to forestall, as much as possible, consumer opposition to "substitutes".

Czechoslovakia.— The improvement recorded by the Czechoslovakian cotton textile industry in recent months has been fairly well maintained in September and October, though export business suffered from the return of Italian competition in Southeast European markets.

Austria.— The general level of cotton mill operations in Austria is still very satisfactory, though somewhat below last year. The substantial decline experienced in Austrian cotton mill occupation in the summer, as a result of the contraction in yarn business to Rumania, has given way to some recovery in September and October. Sales and deliveries to Rumania are reported to have picked up again. Austrian cotton yarn exports, however, face the threat of much increased competition from the resumption of Italian offers in southeastern Europe.



France.- Active business in yarns and cloth at strongly rising prices, as well as good increases in mill occupation, have followed the devaluation of the franc and characterized the entire month of October in France. The French cotton industry seems hopeful both because of much improved prospects for beneficial internal economic policies and the likelihood of some gains in exports. The outlook is dimmed only by fear of further increases in costs of production.

Italy 2/.-The devaluation of the lira and the hope that this step will lead to a generally improved foreign exchange position, apart from a resumption and increase in the exportation of cotton goods in particular, have given rise to an expectation among importers and spinners of improved possibilities for raw cotton imports and cotton mill activity in 1936-37. Nevertheless, the outlook does not seem too favorable, and continued small utilization of raw cotton by Italian mills is to be expected.

To keep the mills occupied at the rate of 4 working days per week - which seems to be taken as a base for operations in the current cotton year, it is indicated that the cotton textile industry must be supplied annually with 120,000 metric tons of raw material. This is the equivalent of 550,000 bales of 478 pounds net. The Italian authorities are reported willing to allot the industry in 1936-37 this much raw material, but only about two-thirds of it in the form of imported cotton. Fully 30 percent of the indicated total is to consist of domestic fibers, such as staple fiber (cut rayon), cottonized hemp, etc. This would leave only about 400,000 bales of cotton to be imported, as against a spinning mill consumption of raw cotton in Italy of 780,000 bales in 1934-35, 880,000 in 1933-34, and 1,017,000 in 1928-29. It appears, however, that the way is left open for increasing raw cotton imports in proportion to any improvement that can be achieved in cotton goods exports. This may somewhat raise the low indicated figure of 400,000 bales, most of which are to go into manufactures for export and for consumption in the Italian colonies and possessions. It appears that only a small fraction of domestic requirements will be covered with imported cotton.

Russia.- Production of cotton fabrics by enterprises of the Light Industry amounted to 242,000,000 yards in September this year, compared with 223,000,000 yards in 1935 and 195,000,000 yards in September 1934. Total production of these enterprises during the first three quarters of 1936 amounted to 2,120,000,000 yards compared with 1,630,000,000 yards in 1935 and 1,696,000,000 yards in 1934.

#### Mill activity in Japan and China high

Japan 3/.- Mill takings of all kinds of cotton in August and September were more than double takings in August and in September a year ago. It is reported that the very sharp increase in mill takings was due to the desire of mills to take remaining supplies of old crop cotton in anticipation of some rise in cotton prices. Takings were far above mill

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2/ Based upon a detailed report by Consul General G.K. Donald, of Milan, dated October 23, 1936.

3/ Prepared largely from a cable from Agricultural Commissioner Dawson at Shanghai under date of November 12, 1936.

consumption for the month, although mill activity and cotton consumption were maintained at a high level. Yarn production in September was 290,415 bales, a record high for the month, and the output of 298,386 in October was the highest for any October on record with the exception of 1934. The necessity of maintaining a large volume of cloth exports and the increasing barriers erected against Japanese goods by importing countries are reflected in the increasing degree to which exports are being regulated by trade organizations with the sanction and support of the Japanese Department of Commerce and Industry. September and October saw a general tightening of the control of cotton cloth exports by "trade guilds". This was especially true of exports to Hong Kong, Netherlands East Indies, and the Straits Settlements. Exports of cotton cloth in September totaled 224,000,000 square yards as compared with 223,000,000 in September 1935, decreases in exports to British India and to Egypt and Africa being offset by larger exports to Manchuria and Kwantung, China and Hong Kong, and the Dutch Indies.

American cotton represented a comparatively small proportion of total Japanese imports during September. American cotton was in fourth place with the smallest monthly import figure for more than 10 years, while imports of the principal competing growths were well maintained despite the fact that September usually is the least active month for cotton imports. Imports of all the main growths, with the exception of Chinese, declined as compared with August but, except for American, were considerably higher than in September 1935. Notwithstanding the very small imports of American cotton, the comparatively large exports of cotton from the United States to Japan in September and October indicate that Japanese imports of American cotton will show a substantial recovery in October, November and possibly December.

While imports of Brazilian cotton in the 12 months ended July 31, 1936 were much larger than in any previous year and while both Japanese and Brazilian interests undoubtedly are desirous of increasing the consumption of Brazilian cotton in Japan, it must be remembered that the very large imports of Brazilian cotton within the last few months are, in part, a reflection of the fact that the marketing and exporting season for the cotton of southern Brazil is concentrated in these few months. It is estimated that Japanese imports of Brazilian cotton in the 12 months ended September 30 amounted to about 200,000 bales. It is claimed that most of this cotton was slightly longer in staple than the American cotton imported, but that in general the grade was inferior and the cotton was not so satisfactorily graded and assorted. Japanese spinners are said to prefer cotton from southern Brazil to that from northeastern Brazil. Japanese farmers and laborers grow an important part of the crop in southern Brazil and increasing quantities of it are handled by Japanese merchants. Possibly this is one reason why cotton from southern Brazil is preferred by Japanese spinners and it is also possible that the large Japanese interests in southern Brazil will grow cotton which conforms more closely to the needs of the Japanese cotton industry. 4/ While the competition of Brazilian with American cotton in Japan can not be dismissed as of no importance, the improved position of Indian cotton in Japanese consumption during the last few months probably constitutes a more serious threat to American cotton than does the recent extensive use of Brazilian.

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4/ See Brazil, under Acreage, Production, and Crop Conditions.



According to official import statistics, imports of American cotton of 27,000 bales in September were less than half as large as imports in the corresponding month of 1935. Imports of Indian cotton were 135,000 bales or nearly  $2\frac{1}{2}$  times as large as imports in September 1935. Takings of Egyptian and Chinese of 5,000 and 7,000 bales, respectively, showed little change from the corresponding month last season. Imports of all other varieties totaled 80,000 bales or nearly 7 times the September 1935 volume. According to trade figures, a considerable part of this last category consisted of Brazilian with smaller quantities coming from Peru, Mexico, Argentina, and Africa.

China 5/.--The condition of the Chinese Cotton Textile Industry continues to improve. The yarn market is firm and spinners' margins are the highest in recent years. It is reported that Japanese and some of the Chinese mills are carrying a large volume of unfilled orders, and yarn sales are expected to be large for the next few months. Mill activity was appreciably greater in October than in August and September, and materially greater than a year earlier. Japanese spinning interests are expanding in North China, and it is believed that part of this expansion is taking place in anticipation of a larger production of raw cotton in that area.

Imports of cotton were very small in September, amounting to less than 10,000 bales. Imports in the 12 months ended September were 179,000 bales as compared with 272,000 bales in the preceding 12 months. Most of this decline in total imports was accounted for by decreased imports of American cotton which amounted to only 51,000 bales in the latter period as compared with nearly 136,000 in the earlier period. Deliveries of all kinds of cotton to Shanghai mills were 185,000 bales in October or 68 percent more than in October 1935. Deliveries of Chinese cotton amounted to 177,000 bales. Deliveries of American were nil, and of Indian, Egyptian, and miscellaneous growths 1,000, 1,000, and 6,000 bales, respectively.

On the basis of present price relationships, Chinese cotton must decline about 8/10 of a cent per pound if exports of cotton from China are to be stimulated to any important degree. In view of the present brisk demand for cotton by the Chinese industry, it now appears doubtful that exports of from 300,000 to 400,000 bales which were anticipated in previous reports will actually materialize.

World Production in 1936-37 Largest in History - Acreage and  
Production at Record Level in Most Foreign Countries

World.-- Present indications are that the total world production in 1936-37 will be about 29,900,000 bales. Should world production turn out to be this large, it will constitute a record high, the largest crop of any previous year being 28,400,000 bales in 1926-27. On the basis of the November report, the American crop will represent 41.5 percent of total world production in 1936-37 compared with 63.3 percent in 1926-27 and an average of 56.3 percent in the 10-year period ended 1932-33. The larger part of the prospective record high foreign production of 17,500,000 bales will not move into trade channels until January and after.

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5/ Prepared largely from a cable from Agricultural Commissioner Dawson at Shanghai under date of November 14, 1936.

United States.-A United States cotton crop of 12,400,000 bales was forecast by the Crop Reporting Board, based upon conditions as of November 1. This is an increase of 791,000 bales over the forecast as of October 1 and compares with an actual crop of 10,638,000 bales in 1935 and an average of 14,414,000 bales in the 10 years 1923-34 to 1932-33. The indicated average yield per acre is 199.7 pounds compared with 186.3 in 1935 and the 10-year average of 169.9 pounds. The increase in prospective outturn results from fall weather that has been almost ideal for the maturing and the picking of the crop.

Egypt.- The harvesting of the Egyptian has progressed rather rapidly and the quantity picked by the end of October exceeded that picked to the same date last year by 15 percent. Picking weather was favorable in general, although in some of the southern sections of Upper Egypt, excessive heat forced maturing too rapidly in the early stages of plant growth, with the result that all bolls opened at once and the resultant grade of the cotton was poor. This factor has contributed to making the grade of Uppers somewhat lower this season than in most years. The ginning outturn was very high early in the season, but by October had become about normal. Up to the first of November, 786,000 bales of all kinds of Egyptian cotton, including Scarto, had been ginned. This is an increase of 15 percent over ginnings to the same date in 1935-36. Ginnings of Sakellaridis were somewhat smaller than last season. As was stated in the last issue of Cotton Prospects, the first estimate of the Egyptian production in the 1936-37 season is for a crop of 1,947,000 bales of 478 pounds net, a record high production and 10 percent larger than 1935-36.

Brazil 6/.-No official estimate is available on cotton acreage for the 1936-37 season in southern Brazil. However, what scanty information there is available makes it seem probable that acreage this season will show a further increase. It was stated in August by an official of the Sao Paulo Cotton Exchange that the acreage to be planted in 1936-37 in Sao Paulo would be 10 to 15 percent greater than that for 1935-36, instead of the 25 to 30 percent increase that was anticipated early in the summer. This forecast does not agree with those of men who have recently returned from the interior cotton centers, and neither does it agree with statements made by many cotton growers during August. It is said to be the opinion of these latter groups that the 1936-37 cotton acreage will be from 20 to 30 percent greater than last year's acreage, and with average weather the increase in total yield should be about the same as the increase in acreage. Cotton growers state that the weather in the 1935-36 season was no better than average.

It is reported that there was available for distribution at seed expurgation stations on July 31, 1936 about 28,700,000 pounds of seed as compared with 33,000,000 pounds of seed actually distributed throughout the entire planting season last year. Information regarding the seed on hand on July 31, 1935 is not available for purposes of comparison but it is known that it was much less than was available on the corresponding date this year. For that reason it appears that the State Secretariat of Agriculture in charge of seed expurgation is expecting that a much larger quantity of seed will be distributed this year.

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6/ Prepared largely from a report from Carol H. Foster, American Consul General, Sao Paulo, under date of October 3, 1936.



The sharp increase which took place last season in exports of Brazilian cotton to Japan and the indicated interests of both Brazilian farmers and Japanese spinners in increasing the consumption of Brazilian cotton in Japan make of interest and probably of some significance the report that a considerable share of the cotton crop of southern Brazil is grown and handled by Japanese. According to statements made at a Cotton Congress organized last year by members of the Japanese colony in Sao Paulo, the Japanese colony produced 450,000 bales of cotton in the State of Sao Paulo in 1935-36 which was approximately 60 percent of the total crop of the State, and that Japanese farmers produced about 31 percent of total 1935-36 Brazilian cotton crop. According to the report of the Congress, Japanese had under cultivation that season 797,600 acres of cotton in the State of Sao Paulo. The Japanese are becoming increasingly interested in the ginning and merchandising of the crop. It is reported that one firm imported a number of American cotton gins and in addition purchased some existing gins and that it was expected that a total of 60,000 bales of cotton will be handled by these gins in the course of a year. It was stated that Japanese spinners owned stock in this particular firm and that it has connections with important cotton merchants in Japan. American cotton firms have pointed out that the establishment of a large Japanese firm in Sao Paulo will undoubtedly facilitate the marketing of Sao Paulo cotton in Japan. In addition to providing for a supply of cotton suited to the needs of Japanese spinners, the close connection between the Japanese concern and Japanese spinners will enable Brazilian merchants to get Japanese quotations on Brazilian cotton at any time of the year.

Should the 1936-37 crop in southern Brazil show a significant increase over last season the total 1936-37 Brazilian crop will likely exceed the record crop of 1935-36 since the current crop in northern Brazil is now estimated (by the Brazilian Government) to be approximately the same as in 1935-36. The present tentative estimate of the total 1936-37 Brazilian crop being used by the Bureau of Agricultural Economics is 1,800,000 bales compared with a crop of 1,700,000 bales in 1935-36 and an average for the 10 years ended 1932-33 of 500,000 bales.

Russia.— The cotton procuring campaign has been proceeding actively with almost three-fourths of the total plan reported executed by October 20. This is somewhat ahead of last year, when about 65 percent of the plan was carried out by the same date. In view of the fact that this year's procuring plan is fixed at a considerably higher level than the record crop of 1935, this means an increase in procurings to October 20 of some 595,000 equivalent bales of ginned cotton, or an increase of about 30 percent, as compared with last year.

The chief cotton procuring region of the Union, Usbekistan, reported full execution of its procuring plan on November 1. This is about a fortnight earlier than in 1935 and 40 days earlier than called for by the Government plan. The equivalent of about 1,544,000 bales of ginned cotton were delivered in Usbekistan by November 1, as compared with 1,280,000 bales in 1935. The share of high-grade cottons has also increased slightly, and 29 percent of all cotton delivered has been reported classified as excellent, against only 5.8 percent a year ago. It is reported, moreover, that there is still considerable cotton in the fields in Usbekistan, and efforts are being made to secure an additional 230,000 bales of cotton in order to attain this year, the figure provided for by the end of the second 5-year plan, in 1937. The percentage of Usbekistan areas harvesting 1,000 pounds and more

of unginned cotton per acre is reported increasing steadily, this yield having been obtained on only 3.4 percent in 1934, on 23 percent in 1935, and on 45 percent this year.

Turkmenia and Tadjikistan, as well as Kirgesia and southern Kasakstan have also reported execution of their procuring plans at an earlier date than a year ago, with cotton procurings in excess of those last year.

Although these reports from Russia indicate that the current crop will exceed 2,500,000 bales this figure is still being used as the tentative estimate because of the tendency in recent years for the final estimates to be considerably smaller than the early reports indicated. This figure which may later be revised upward is considerably larger than the estimated production for any other year in history and 125 percent larger than the average production in Russia during the 10 years ended 1932-33.

China.- Recent reports indicate that the current Chinese crop will probably be fully as large as the 3,650,000 bale estimate previously reported. This figure is 1,000,000 bales larger than the 1935-36 Chinese crop and 500,000 bales larger than the previous record crop of 1934-35.

India.- The area under cotton in the Punjab on October 1 was 3,490,000 acres compared with 2,912,000 in 1935-36, an increase of 20 percent. Crop conditions, reported as 97 percent of normal, indicated the probability of a high yield per acre. Much of the cotton produced in the Punjab is grown under irrigation and consists of American Upland varieties or of special types developed from American varieties.

Argentina.- The land was being prepared for cotton in September throughout most of the major cotton producing areas in Argentina. It is believed that acreage will show a considerable increase over last year's record high. Cotton acreage and production in Argentina in 1935-36 amounted to 783,354 acres and 353,800 bales, respectively. In the 5-year period 1928-29 to 1932-33 an annual average of 145,000 bales were harvested from 308,000 acres.

Uganda.- Cotton acreage planted up to September was estimated to be 1,306,000 acres or 12 percent above acreage planted up to the corresponding date in 1935. This early sown cotton was in good condition and favorable weather indicated the likelihood that total acreage planted this season would exceed last year's record acreage. Ugandan cotton production in 1935-36 amounted to about 266,000 bales, and averaged 171,400 bales in the 5 years 1928-29 to 1932-33.

Table 1.-Cotton: American, foreign and all growths; production, carry-over, and supply, exports from United States, and price at 10 spot markets in United States, 1920-21 to date

Season beginning Aug. 1	American					Foreign					All kinds				
	Production	Carry-over	Beginning of season	Price	Production	Carry-over	Production	Carry-over	Production	Carry-over	Production	Carry-over	Production	Carry-over	Production
	1,000 bales	1,000 bales	1,000 bales	per lb.	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales
	Exports	Production	United States	Supply	World	Supply	Price	Production	Carry-over	Production	Carry-over	Production	Carry-over	Production	Carry-over
	1,000 bales	1,000 bales	1,000 bales	Cents	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales
1920-21	5,973	13,429	3,279	17.06	6,338	19,737	7,378	4,547	12,425	21,007	11,185	32,192	11,185	32,192	11,185
1921-22	6,548	7,945	6,361	18.09	9,593	17,738	7,439	4,402	11,893	15,434	13,797	29,231	13,797	29,231	13,797
1922-23	3,007	9,755	2,365	25.35	5,162	14,917	9,507	4,492	13,993	13,262	9,654	28,916	9,654	28,916	9,654
1923-24	5,315	10,140	2,129	30.14	3,304	15,444	9,555	3,578	13,133	19,695	6,882	26,577	6,882	26,577	6,882
1924-25	8,240	13,630	1,439	24.22	2,705	16,335	11,300	3,311	14,611	24,930	6,916	30,946	6,916	30,946	6,916
1925-26	3,267	16,105	1,504	19.33	3,386	17,491	11,826	3,567	15,393	27,931	8,933	34,384	8,933	34,384	8,933
1926-27	11,299	17,978	3,414	14.40	5,495	23,475	10,439	4,014	14,453	23,417	9,509	37,926	9,509	37,926	9,509
1927-28	7,957	12,956	3,663	19.72	7,696	20,652	11,075	3,979	15,054	24,031	11,675	35,706	11,675	35,706	11,675
1928-29	8,419	14,477	2,426	15.67	5,114	19,591	12,236	4,572	16,553	26,763	9,636	38,449	9,636	38,449	9,636
1929-30	7,035	14,825	2,130	15.79	4,409	19,234	11,846	4,600	16,446	26,671	9,009	35,680	9,009	35,680	9,009
1930-31	7,133	13,932	4,322	9.61	6,297	20,219	12,189	5,030	17,219	26,121	11,517	37,438	11,517	37,438	11,517
1931-32	9,193	17,097	6,263	5.89	8,363	25,065	10,499	4,338	15,357	27,596	13,706	41,302	13,706	41,302	13,706
1932-33	8,895	13,003	9,580	7.15	12,960	25,963	10,937	4,071	15,003	23,940	17,031	40,971	17,031	40,971	17,031
10 yr. av.															
1923-24 to															
1932-33	8,215	14,414	3,687	16.53	6,022	20,435	11,196	4,156	15,352	25,610	10,178	35,788	10,178	35,788	10,178
1933-34	7,264	13,049	3,031	10.81	11,538	24,237	15,651	4,539	18,190	26,700	16,127	42,827	16,127	42,827	16,127
1934-35	5,037	9,636	7,643	12.36	10,634	20,270	14,164	5,602	19,765	23,800	16,236	40,036	16,236	40,036	16,236
1935-36 1/	6,267	10,638	7,138	11.55	9,000	19,647	15,362	4,503	20,665	26,500	13,912	40,312	13,912	40,312	13,912
1936-37 1/		12,400	5,324		7,000	19,400	17,500	5,200	22,700	29,900	12,200	42,100	12,200	42,100	12,200

Exports compiled from reports of the Bureau of Foreign and Domestic Commerce.

Prices based on daily telegrams received from each of the 10 designated spot markets.

Production, carry-over and supply - estimates of the Bureau of Agricultural Economics, based on data compiled from reports of official governmental agencies or from reliable trade sources.

/ Preliminary.



Table 2.-Cotton: Prices of specified types at Liverpool, exports, supply, and consumption at specified locations, 1921-22 to date

Season beginning Aug. 1 except as noted	Prices at Liverpool				Exports		World supply, be-				Consumption in			
	Actual	Indian	Ratio	From	From	10	Ginning of season	foreign countries						
	American	2/	3 types	In-	From	10								
	1/		dian to 2	United	leading:									
			types Amer.	States:	export:	Ratio	Ameri-	All	Ratio	Ameri-	All	Ratio		
	Aug.-:Apr.-:Aug.-:Apr.-:Aug.-:Apr.-:				count:		can	growths:		can	growths:			
	July :Mar. :July :Mar. :July :Mar. :				3/									
					Actual		Actual			Actual				
					1,000	1,000								
					bales	bales								
					500 lbs	500 lbs								
					Per-	Per-								
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